

Message Text

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PAGE 01 MONTEV 02064 100327Z

71 60

ACTION ARA-20

INFO OCT-01 ADP-00 NIC-01 CIAE-00 COME-00 EB-11 INR-10

LAB-06 NSAE-00 RSC-01 SIL-01 AID-20 PC-04 OPR-02

AGR-20 PM-07 H-02 L-03 NSC-10 PA-03 PRS-01 SS-15

USIA-12 RSR-01 /151 W

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R 061915Z JUL 73

FM AMEMBASSY MONTEVIDEO

TO SECSTATE WASHDC 4808

INFO AMEMBASSY BRASILIA

AMEMBASSY BUENOS AIRES

AMEMBASSY LA PAZ

USCINCSO

DIA

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C O R R E C T E D C O P Y (TO HEADING ADD USCINCSO AND DIA
AS INFO ADDEES)

EMO. 11652,0 /A

TAGS: ECON, UY

SUBJ: GOU ECONOMIC POLICY

CINCSO FOR POLAD

REF: MVD 2033

1. MINISTEJAOF FINANCE MOISES COHEN GAVE PERSUASIVE DEFENSE OF
GOU ECONOMIC POLICY IN NATIONWIDE TELEVISION ADDRESS JULY 5 IN
FORM OF ECONOMICS LESSON TO URUGUAYAN HOUSEWIFE. HE REITERATED
NEED FOR CONTROL OF INFLATION THROUGH LIMITATIONS ON WAGE AND PRICE
INCREASES AND BELIEF THAT WAGE INCREASE SUFFICIENT TO RAISE REAL
WAGES BY ABOUT 5 PERCENT DURING LAST HALF OF YEAR, PROMISING THAT NO
FURTHER PRICE INCREASES WOULD BE GRANTED BEFORE END OF YEAR.

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MINISTER CITED ACTIONS OF DOUBLING SOCIAL SECURITY TAX ON RURAL PRO-

DUCERS AND REQUIREMENT THAT FARMERS MAKE ADVANCE PAYMENT OF 1973
IMPUTED VALUE LAND TAX AS INDICATIONS THAT GOU REQUIRING ALL
SECTORS OF ECONOMY TO MAKE EQUITABLE SACRIFICES.

2. COMMENT: CURRENT CRISIS APPEARS TO HAVE HAD NO EFFECT ON GOU
ECONOMIC PROGRAM. WAGE INCREASE AND SOCIAL SECURITY BENEFIT
REVALUATION BOTH UNCHANGED FROM PRE-CRISIS STATEMENTS. AS SUCH, NEW
LEVELS APPEAR CONSISTENT WITH GRADUAL REDUCTION IN INFLATION TO
LEVELS CONSISTENT WITH ECONOMIC GROWTH. TARGET OF 25 PERCENT INFLATIO
N
FOR SECOND HALF OF 1973 SEEMS REASONABLE, AND REDUCTION OF INFLATION
BELOW 40 PERCENT FOR FULL YEAR 1974 ACHIEVABLE. NEVERTHELESS,
VIABILITY OF ECONOMIC PROGRAM VERY MUCH DEPENDENT ON ABILITY OF
GOU TO OVERCOME CURRENT POLITICAL CRISIS AND GET LABOR FORCE
BACK TO WORK.
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EO Systematic Review
30 JUN 2005

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